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Regional Governors Navigating through Putin's Third Term

On the Wave of Patriotism through the Troubled Waters of the Economy

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Abstract

This study focuses on the regional effects of new domestic and foreign policies initiated by Russia's president and the challenging policy dilemmas faced by regional governors since 2012. It analyzes gubernatorial elections held during 2012-2015 to show the increased control over the electoral process and the regional cadre exercised by the Kremlin. It explores the implications of new identity politics and foreign policies advanced from Moscow on regional elites' place in Russia's system of power, their governance strategies and political economies. It reviews regional adjustment strategies undertaken in response to Russia's rising economic problems.

Keywords

political economy – Russian regions – governors

A high degree of political centralization and personalized presidential power base notwithstanding, Russia's authoritarian political system depends on its elites' loyalty, competence, and ability to deliver political and social stability to the regime. Responsible for maintaining social, economic and political stability in the regions, regional elites and governors in particular play a crucial role in maintaining the national status-quo. Hence, the Kremlin's attention to perfecting the policy tools and institutional mechanisms for ensuring its influence in the regions, for integrating regional political systems in the nationally controlled system of governance, and incentivizing regional elites to support

the regime has not diminished in the last two decades associated with Vladimir Putin's presidency in Russia. The key outlines of center-regional relations characterizing Russia's system of governance emerged in the early 2000s as a result of the centralization drive – political, fiscal and administrative – that recalibrated the system to make it more 'manageable' and responsive to federal policies, interests and initiatives.¹ Substantive institutional changes that have occurred since, in the electoral and party system as well as the system of gubernatorial selection, have sought to maximize two goals – political legitimacy of the system on one hand and the imperative of *control*, the main logic underlying the system, on the other.²

Though center-regional relations in Russia have overall kept their existing contours in the last decade and a half, politics and economics in the regions as well as the position of regional governors themselves have been strongly affected by the changing national political landscape. The political strategy advanced to fix 'the cracks in the wall' of Putin's regime manifested in 2011-2012 protests³ meant an overhaul of the system of political legitimation in Russia as reflected in the shift from mostly pragmatic to value-driven, symbolic politics focused on culture, identity and values and aimed at national consolidation based on traditional values and the promotion of patriotism. The identity politics manipulating and intensifying the feelings of national *ressentiment* among the Russian public have evolved in parallel with the growing personification of power in Russia.⁴ Such evolution had an effect, direct and indirect,

¹ On early stages of reforms, see Peter Reddaway and Robert W. Orttung, *Dynamics of Russian politics: Putin's reform of federal-regional relations*. Vols. 1-2 (Rowman & Littlefield, 2004-2005); Cameron Ross, "Federalism and electoral authoritarianism under Putin," *Demokratizatsiya* 13, no. 3 (2005): 347-372.

² For the discussion of these two goals in relation to the return of gubernatorial elections in 2011, see Helge Blakkisrud, "Governing the governors: legitimacy vs. control in the reform of the Russian regional executive," *East European Politics* 31, no. 1 (2015): 104-121.

³ Nikolay Petrov, Maria Lipman, and Henry E. Hale, "Three dilemmas of hybrid regime governance: Russia from Putin to Putin," *Post-Soviet Affairs* 30, no. 1 (2014): 1-26; Vladimir Gel'man, "Cracks in the Wall: Challenges to Electoral Authoritarianism in Russia," *Problems of Post-Communism* 60, no. 2 (2013): 3-10; Ivan Krastev and Stephen Holmes, "An Autopsy of Managed Democracy," *Journal of Democracy* 23, no. 3 (2012): 33-45.

⁴ Regina Smyth and Irina Soboleva, "Looking beyond the economy: Pussy Riot and the Kremlin's voting coalition," *Post-Soviet Affairs* 30, no. 4 (2014): 257-275.

Gulnaz Sharafutdinova, "Managing National Ressentiment: Morality Politics in Putin's Russia," in *Vocabularies of International Relations After Crisis in Ukraine*, ed. by Andrey Makarychev and Aleksandra Yatsyk (Ashgate, forthcoming 2016).

on governance patterns and practices in Russia, influencing politics in the regions as well.

The new domestic politics went hand in hand with Russia's more aggressive foreign policies reflected in Russia's actions in Ukraine and Syria as well as vis-à-vis Turkey and the Western countries.⁵ The ensuing deterioration of economic conditions resulting not only from economic sanctions imposed by the West and Russia's own anti-western sanctions but from other, more structural factors, such as weak oil prices, have imposed new challenges on regional elites most of which are constraining from the regional perspective. Furthermore, Putin's foreign policy initiatives had various local spillovers that regional governments had to address. In the end, though governors benefitted politically from the patriotic euphoria in the country that ensued after Crimea annexation and ran highly successful electoral campaigns in the regions in 2014-2015, their place in the new system of power became more vulnerable. With the growing personalization of central power and the loss of popular base, governors along with other regional officials became prime objects for anti-corruption campaigns waged from Moscow to increase regime's legitimacy. Additionally, in the context of economic troubles and diminished resources coming from the federal center combined with the new financial burdens of populist May 2012 presidential decrees, the governors have been hard pressed from the bottom by growing incidents of regional and localized protests. Social destabilization and the pressure from the bottom is only likely to increase further as economic stagnation in Russia continues and the governors turn to social spending cuts as a preferred mode of responding to financial pressures.

Providing an overview of main political trends in center-regional relations in Russia in the last few years, this article focuses particularly on the regional effects of new domestic and foreign policies initiated by Russia's president since 2012. The first part analyzes the results of gubernatorial elections in 2012-2015 and demonstrates the enhancement of 'control' by the Kremlin over the regional cadres. It also explores the implications of Putin's new symbolic politics on regional elites and regional policies. The second part reviews the regional effects of Putin's foreign policies and regional and federal response to problems that have emerged as a result of these policies. The third part delves into the deepening economic and financial problems in Russia focusing on

⁵ Andrei Tsygankov, "Vladimir Putin's last stand: the sources of Russia's Ukraine policy," *Post-Soviet Affairs* 31, no.4 (2015): 279-303; Robert Nalbandov, *Not by Bread Alone: Russian Foreign Policy Under Putin* (University of Nebraska Press, 2016).

various adjustment strategies undertaken by regional governments in response. The concluding section revisits central observations regarding regional governors standing in Russia's political system and the broader implications of the observed changes for Russia's political system.

Putin's New Domestic Politics: Its Meaning and Implications for Russia's Regional Elites

The evolution of Russia's 'electoral authoritarian' political system associated in the last decade and a half with Vladimir Putin has gone through several developmental stages.⁶ The construction of regime's main pillars corresponds to Putin's first term in power but critical adjustments were made during his second term in 2004-2008, when regime consolidated.⁷ A string of superficial reforms undertaken during Dmitry Medvedev's presidency in 2008-2012 did not change the system and its institutions even though Medvedev's modernization rhetoric instilled expectations of political liberalization and, arguably, was an important pre-condition for 2011-2012 protests.⁸ Political reforms advanced in response to these protests opened a new stage of regime conservation. The new symbolic politics of regime legitimation emphasizing traditional values, morality and patriotism, aggressive foreign policy and securitization of domestic discourse infused with intense anti-American and anti-Western propaganda are the main pillars of this new stage. This new politics found an intense resonance in the Russian public increasing Putin's popularity and heightening personalization of power in Russia.⁹ The effects of these developments on regional elites are more debatable.

⁶ For the discussion of Russian politics through the prism of electoral authoritarianism, see for example, Grigory Golosov, "The Regional Roots of Electoral Authoritarianism in Russia," *Europe-Asia Studies* 63, No.4 (2011): 623-639; Ross 2005.

⁷ The abolishing of gubernatorial elections, for example, occurred at the beginning of Putin's second term; it was evident though that this reform was prepared in advance and Putin just made use of the tragedy in Beslan to announce this reform.

⁸ For related arguments see Kirill Rogov, "Osnovnye tendentsii politicheskogo razvitiia Rossii v 2011-2013 gg." Analytical report (2014). Accessed at: <http://liberal.ru/upload/files/Osnovnie%20tendentsii%20politicheskogo%20razvitiya.pdf>; Denis Volkov, "The protesters and the public," *Journal of Democracy* 23, no.3 (2012): 55-62.

⁹ For further analysis on how hybrid regimes' dealing with political challenges produces further personalization of power, see Petrov, Lipman and Hale 2014.

First, the trend of governors' losing popular base in their regions has further continued. This trend was introduced as an essential element of Putin's reforms that sought to integrate governors into a unified administrative hierarchy and culminated in ending gubernatorial elections in 2004. The enhancement of Putin's personal influence in reaction to his foreign policy actions and his acquisition of the status of a 'great leader' (*vozhd'*) in the aftermath of Crimea annexation further eroded the position of regional governors within the system.¹⁰ The system relying on the legitimacy of the 'great leader' does not require other leaders connecting with the populace.¹¹ If genuinely popular and uncontrolled, they actually represent a political threat to the center. Therefore, the Kremlin's decision to return gubernatorial elections in response to 2011-2012 protests was accompanied by such conditions (the so called 'filters') that allowed for a fully controlled electoral process with undesirable candidates (sometimes those, with a genuine chance for victory) excluded from the race. Specifically, the municipal filter required a gubernatorial candidate to get signatures of a specified number of municipal legislators (anywhere between 5 and 10%, depending on the region) for registering to run in the elections. This condition turned into the main mechanism for weeding out unwanted candidates from gubernatorial elections.¹² Further amendment of this law signed by Putin in 2013 allowed regions to forego elections altogether and have the regional legislature select the governor from the list approved by the president. Most regions in the North Caucasus as well as energy-rich Yamalo-Nenets, Khanty-Mansi and Nenets autonomous okrugs, Crimea and Sevastopol have since opted for this system of legislative appointment of regional governors.

As the data on gubernatorial elections in table 1 indicate (see Appendix), the four rounds of elections held in 2012-2015 revealed the extent to which establishment controls effectively produce electoral victories. All but one gubernatorial election held during 2012-2015 resulted in the victory of a non-incumbent in the second round of the election. Prior to pilot 2012 electoral season, the Kremlin used the previous system of appointments to replace governors

¹⁰ For an interpretation of Putin's influence as a military *vozhd'*, see interview with Nikolai Petrov, at <http://www.svoboda.org/a/26539151.html>

¹¹ Maria Lipman and Nikolai Petrov, "2015: Zavershenie perekhoda ot 'miagkogo avtoritarizma' k bole zhestkomu," *Kontrapunkt* #4, June 2016.

¹² Blakkisrud 2015, 106-107

en masse, removing fourteen regional leaders deemed unpopular and incapable of being reelected from their posts. Only five gubernatorial elections were held in this electoral season, arguably, in the regions expected to produce anticipated results. Eight elections were held in 2013, twenty nine in 2014 and twenty one in 2015. Many governors went through early resignations in 2014 in order to use the patriotic momentum associated with Crimea annexation ('*krymnash*' effect) and get reelected before the negative impact of Western (and anti-Western) economic sanctions were felt in the regions.¹³ This strategy proved successful and in many cases the incumbents won with high margins, facing no real competition (see Appendix). Thus, the governors who ran in 2012 elections won with an average of 72% support, 2013 cohort won with 68%, 2014 with 77%, and 2015 with 72%. Evidently, running for gubernatorial seat in 2014, when pollsters registered a record high sense of social well-being among the population in terms of life satisfaction, material well-being, and social optimism was favorable for the incumbents.¹⁴ Putin's popularity ratings, for example, soared from 53% in 2013 to 83% a year later.¹⁵ Governors running in 2014 could also ride on this national patriotic euphoria. This sense of pride and euphoria following the annexation of Crimea lessened in 2015, which was reflected, among other things, in a drop of the average vote received by governors who ran in 2015.

As a rule, the incumbents were affiliated with United Russia (UR), a party of power that has become an essential pillar of Putin's regime.¹⁶ In few cases when the incumbents ran under different party affiliations (LDPR, KPRF or Just Russia), it was done based on the approval from the Kremlin. The UR regional branch in those cases did not advance their own candidates. Furthermore, these few governors that were affiliated with other parties, such as Smolensk governor Ostrovskii affiliated with LDPR and Orel governor Potomskii affiliated with KPRF have demonstrated, once in power, a tendency to build

¹³ On post-Crimea syndrome referred to widely as '*krymnash*' read, for example, "Golovokru-zhenie ot uspekhev." *Lenta.ru*, 2015. Accessed at: lenta.ru/articles/2015/12/02/krym/

¹⁴ Anastasia Novak, "Ekspertiza: Rossiane na pod'eme," *Polit.ru*, 19 August 2014. Accessed at: polit.ru/article/2014/08/19/rise1/

¹⁵ Julie Ray and Neli Esipova, "Russian Approval of Putin Soars to Highest Level in Years," 2014. Accessed at: www.gallup.com/poll/173597/russian-approval-putin-soars-highest-level-years.aspx

¹⁶ On the incorporation of regional governors into United Russia, see Golosov 2011, Ora John Reuter, "The politics of dominant party formation: United Russia and Russia's governors," *Europe-Asia Studies* 62, no.2 (2010): 293-327.

amicable, working relations with UR and distance themselves somewhat from their own party.¹⁷

The only exceptional case when the incumbent ended up losing to the opposition candidate was that of Irkutsk oblast where, in 2015, the Communist candidate Sergei Levchenko won in the second round of election over the incumbent governor Yeroshchenko, supported by United Russia. As opposed to other non-UR affiliated governors, Levchenko stayed accountable to the coalition that brought him to power; such situation however resulted in a recent municipal 'revolt' as the mayors of cities in Irkutsk oblast affiliated with United Russia started a coordinated campaign criticizing the regional authorities.¹⁸ This difference in non-UR governors' strategies of dealing with the party of power in their regions is arguably a product of how they came to power in the first place. Ostrovskii and Potomskii were 'cleared' from the Kremlin; therefore, both sides, including the regional branch of the party of power and the new governor himself, were incentivized to cooperate. Levchenko was elected against the Kremlin's will. The regional representatives of the party of power were therefore driven by the incentive to undermine Levchenko and destabilize his position and authority in the region.

Overall, these four rounds of gubernatorial elections have demonstrated that the incumbents have exercised an overwhelming control over the electoral process in the regions mostly by managing the entry into the gubernatorial race. Electoral results have become highly predictable, resembling the Soviet political model, albeit with multiple candidates participating in the elections. Cases of inter-elite rivalries and disagreements in the regions are largely resolved prior to elections, unofficially, with the assistance from the presidential administration. The case with Vadim Potomskii, who ran for governorship backed by the KPRF in Briansk and was able to seriously challenge the incumbent Nikolai Denin, is illustrative. Although Denin won the election in Briansk, Potomskii was later appointed by Putin an interim governor in Orel oblast and then won elections there in 2015.

Following the national model of controlled elections used as a ritual for political legitimization, regional elections have also turned primarily into the

¹⁷ "Gubernatory-oppozitsionery i ikh regiony: Spetsifika kampanii-2016," analytical report prepared by APEC (the Agency for Political and Economic Communications). Accessed at: www.apecom.ru/projects/item.php?SECTION_ID=91&ELEMENT_ID=3007

¹⁸ Andrei Vinokurov, "Irkutskoe vosstanie merov," *Gazeta.ru*, 29 August 2016. Accessed at: www.gazeta.ru/politics/2016/08/29_a_10165115.shtml

mechanism for the legitimization of regional authorities rather than creating a popularly supported regional leadership through the process of free and fair contestation. In some regions such as Tatarstan and Kemerovo oblast, where regional leaders exercise tight control over regional political space, such tendencies of ritualized elections have existed since the 1990s.¹⁹ Since 2012 this model of controlled elections with certain results has spread practically to all of Russia's regions. The main difference with the 1990s though is the role of the federal center that is now closely involved in the regional cadre selection and has instituted new rules that ensure predictability in the electoral process. The leadership skills necessary for building controlled political spaces in the 1990s are not required in the present system but the Kremlin support is imperative.

The weakening of the status and significance of gubernatorial elections is a direct consequence of these developments. Both popular reaction and the Kremlin's own actions are indicative. From the standpoint of regional population, the devaluation of elections is clearly manifested in lower voting turn-outs.²⁰ The federal center, in its turn, demonstrates a certain degree of disregard towards the electoral results when it pressures the elected governors to resign.²¹ Not surprisingly therefore regional governors have turned into 'transmission belts' responding to incentives from the federal center and implementing federal policies in the localities. During the period of economic growth in the 2000s, the federal center could direct policy-making in the regions through the system of federal transfers incentivizing regional governors to initiate and participate in various infrastructure-development projects, promote agricultural and small-business development, and even invent regional mega-projects and events aimed at bringing federal resources into the region.²² Russia's rising economic problems have resulted in a drastic reduction

¹⁹ On Tatarstan, see Gulnaz Sharafutdinova, *Political consequences of crony capitalism inside Russia* (Notre Dame, IN: University of Notre Dame Press, 2010). On Kemerovo oblast, see Robert W. Orttung, Danielle N. Lussier, and Anna Paretskaya. *The republics and regions of the Russian federation: A guide to politics, policies, and leaders* (ME Sharpe, 2000), 211-218.

²⁰ Rostislav Turovsky, "Systemic Opposition at Russia's Gubernatorial Elections," Basic Research Program Working Papers, *WP BRP26/PS/2015*.

HSE, 6.

²¹ As happened with Konstantin Il'kovskii, governor of Zabaikal'skii krai, who was elected in 2013 but stepped down in February 2016, evidently under the Kremlin's suggestion.

²² Gulnaz Sharafutdinova and Rostislav Turovsky, "The politics of federal transfers in Putin's Russia: regional competition, lobbying, and federal priorities," *Post-Soviet Affairs* (2016):

of the flow of money from Moscow into the regions. Nonetheless, the governors still have to find the ways to maintain economic and social stability in their regions and respond to policy initiatives originating in Moscow. The recent shift in national rhetoric towards identity issues and the transformation of the domestic political landscape with an enhanced role of the national leader have found their reflection in the regions as well.

The way regional governors have appropriated Putin's new, value-driven politics are indicative of the lack of autonomous policy-making space in the regions. In the atmosphere of national consolidation and rallying around the flag, as experienced in the aftermath of Crimea annexation, regional elites had to fall in line with the ideological message advanced by the Kremlin. For example, the Kremlin requested that the regional authorities design programs for patriotic education in their regions and ensure the implementation of their programs.²³ Regional activities in this sphere have since expanded at a quick pace: eighty regions have created interdepartmental coordinating councils on patriotic education, seventy four regions have created centers for patriotic education and five regions have even adopted laws on patriotic bringing up of Russian citizens.²⁴ Governors also advance their own 'patriotic' initiatives such as the infamous monument to the Russian tsar Ivan the Terrible that Vadim Potomskii (governor of Orel region) plans to erect in his region.²⁵ Ironically, Orel region does not have any specific ties to Ivan the Terrible. Rather, Potomskii's initiative appeals to patriotic, state-oriented electorate and reflects the resurgence of the images of such powerful and autocratic leaders as Ivan the Terrible, Peter the Great, and Joseph Stalin.

Admittedly, social stability in the region remains the key expectation and assessment criteria for the governors along with the electoral results. The Kremlin wants the governors to exert control over their regional populations

1-15.

²³ "Regiony razrabatyvaiut plany patrioticheskogo vospitaniia." 19 April 2016. Accessed at: er.ru/news/141421/

²⁴ "Opyt sub'ektov Rossiiskoi Federatsii po voenno-patrioticheskomu vospitaniiu molodezhi." Accessed at: council.gov.ru/activity/activities/roundtables/56831/

²⁵ Potomskii was ridiculed for his historical ignorance when he suggested that Ivan the Terrible (who died in 1584) traveled with his son from Moscow to St. Petersburg (founded in 1703). See "Orlovskii gubernator: Ivan Groznii ekhal s synom v Peterburg," *Radio Svoboda*. Accessed at: www.svoboda.org/a/27872019.html

and ensure electoral turnout and vote for the party of power.²⁶ In the new conditions of economic stagnation and 'belt tightening' this expectation also means that governors have to deal with increased local protests and social actions in response to unpaid salaries, rising utility bills, defaulted home investors (*dol'shchiki*) and other economic troubles.²⁷

The way governors respond to public demands, how they speak to the population, how they manage public opinion becomes ever more important in revealing the managerial skills of the Kremlin's 'agents' in the regions. The Kremlin-controlled system of regional cadre management and specifically the practice of power rotation (one of the foundations of the Soviet cadre development system) increasingly used for gubernatorial positions do not seem to produce the expected results, however. Recent incidents in Samara oblast provide a good example of problems at hand.

Merkushkin, an ex-governor of Mordovia, has been appointed the governor of Samara in 2012. He was successful in constructing a highly centralized and controlled system of governance in Mordovia and build constructive relations with the federal center as reflected in the flow of federal transfers into this republic.²⁸ His governorship in Samara, however, has been marred by numerous scandals with the most recent one, in August 2016, following his response on the issue of unpaid salaries at AvtoVAZ that amounted to an accusation of the woman asking a question of being prompted to do that by the US ambassador who visited the region in spring 2016. A little earlier, at a meeting with regional voters in July 2016, Merkushkin suggested that the CIA plot against Russia has been piloted at Samara region because the region has always been the main training ground for Western experiments.²⁹ The petition asking for Merkushkin's psychological assessment on *change.org* and the public outcry against his inadequacy in the media reflect that his leadership in Samara is highly problematic and represents a liability for the Kremlin.

²⁶ Michael Rochlitz, "Political Loyalty vs. Economic Performance: Evidence from Machine Politics in Russia's Regions," *WP BRP 34/PS/2016, HSE*; Ora John Reuter and Graeme B. Robertson, "Subnational appointments in authoritarian regimes: Evidence from Russian gubernatorial appointments," *The Journal of Politics* 74, no. 4, (2012): 1023-1037.

²⁷ On increasing labor strikes in Russian regions, see Stephen Crowley and Irina Olimpieva, "Russian Labor Protest in Challenging Economic Times," *Russian Analytical Digest* #182, 20 April 2016. On protest trends, see Tomila Lankina and Alisa Voznaya, "New data on protest trends in Russia's regions," *Europe-Asia Studies* 67, no.2, (2015): 327-342.

²⁸ His lobbying capacities have been noted in various rankings of Russia's governors.

²⁹ "Gubernator Nikolai Merkushkin razoblachil zagovor TsRU protiv Samarskoi oblasti," 14 August 2016. Accessed at: www.ixtc.org/2016/08/gubernator-nikolay-merkushkin-razoblachil-zagovor-tsru-protiv-samarskoy-oblasti/

The case of governor Merkushkin turning from a successful leader of Mordovia into an inadequate governor of Samara is a good illustration of the regional economic and social differentiation that has occurred in Russia over the last two decades and a half, resulting in territories with very different social and political expectations. Under the leadership of Konstantin Titov, the more economically and socially developed Samara region has turned into a more advanced space of public interaction between regional authorities and the population, than Mordovia, one of the poorest republics in the country governed in an authoritarian and paternalistic manner. Merkushkin's leadership in Samara reveals that the methods and style of governance that have been suitable in Mordovia do not meet the demands in Samara. Even if the Kremlin comprehends these changing realities, however, given its prioritization of loyalty and control in the short term and the general shortage of regional cadre in the existing non-competitive power system constructed by Putin, it simply does not have much choice of more suitable candidates for the position. The most recent appointments of Putin's ex-security guard into gubernatorial positions discussed later in this article are yet another illustration of how scarce gubernatorial cadre pool in Russia is.

Merkushkin's use of security tropes (i.e. CIA plot enacted against Samara region; the role of the US ambassador in inciting regional unrest) is another valuable sign of how national-level security-based narrative can get reproduced for regional governance purposes. The 'enemy at the gate' image-based politics ratcheted up on the main television channels in Russia after Crimea annexation have been a valuable tool for the federal government and Putin personally to legitimize his power and keep public attention away from rising domestic economic and social problems. Evidently, regional leaders try to employ this tool as well. Karelia's governor Aleksander Khudilaynen, who suggested in summer 2015 that foreign security services have increased their activities to destabilize socio-political environment in the region is another example of such tactics.³⁰ That both of these regional leaders are in the list of problematic governors whose positions are not very stable might be revealing of how (un)successful might such security-oriented tactics be on the regional level.³¹ Arguably, the regional population views their governors as regional managers (*khozyaistvennik*) and expects economic and social achievements (or at least stability), with security issues left to the federal government.

³⁰ "V Karelii aktivizirovalis' zabugornye shpiony," *Novye vedomosti*, 31 July 2016. Accessed at: nvdaily.ru/info/54225.html

³¹ Khudilaynen was last in some recent gubernatorial ratings. See Andrei Pertsev, "Aleksander Khudilaynen priblizhaetsia k otstavke," *Kommersant*, 20 June 2016. Accessed at: kommersant.ru/doc/3017980

The new symbolic politics focused on traditional values and Russia's historic identity initiated by Putin is only one important element of the new politics of legitimation that has been worked out by the Russian government. An intensification of the anti-corruption campaign against various parts of the elite appears to be its other intrinsic element. Indeed, it is plausible to expect that in the new economic conditions of a shrinking pie, the level of inter-elite competition over diminishing resources is likely to increase, while the Kremlin's tolerance for massive corruption characteristic of Russia in the 2000s would have to diminish. These two rationales, an inter-elite struggle on the one hand and the regime's lesser tolerance for corruption, on the other, might be behind a number of gubernatorial arrests that have occurred recently and demonstrated that, despite high levels of control by the incumbent candidates reflected in gubernatorial elections, the actual position of regional governors in Russia's political system has clearly weakened. Specifically, in 2015-2016 the governors of Sakhalin, Komi and Kirov regions (Khoroshavin, Gaizer and Belykh), have all been arrested and charged with bribery (in cases of Khoroshavin and Belykh) and the misuse of public funds and forming a criminal network to plunder the state in case of Gaizer. Most analysts have recognized these incidents to be unprecedented, as previous cases of criminal proceedings against governors have normally occurred after the governors were already fired.³²

These arrests fall into a recent pattern of a growing number of high-ranking criminal cases that have involved such figures as Russia's federal customs chief, Andrei Belyaninov (reported to be personally close to Putin), deputy minister of culture, a former top manager of state company RusHydro, and even high-ranking officials from the Investigative Committee. All these cases have pointed to a new anti-corruption campaign underway in Russia and have demonstrated the activation of law enforcement agencies' in Russia. Given the dramatic images of detainments, searches, and arrests of high-ranking officials broadcast on the nightly news on Russia's major TV channels, it seems plausible to interpret this campaign as pursuing several aims. It is, first, a tool of political legitimation for Putin as it demonstrates the law enforcement agencies going after corrupt state officials. It is, also, a signal to the elite to restrain their appetites that have grown exponentially in the 'fat 2000s' and are unsustainable in the current economic environment. Finally, anti-corruption campaigns in Russia have always been a tool used in inter-elite clashes to rid of competitors.³³ Many of the aforementioned cases have resulted, either from

³² For example, Bryansk governor Denin, Novosibirsk governor Yurchenko, and Amur governor Korotkov.

³³ Ekaterina Vinokurova, "Chistka klanov," *Gazeta.ru*, 28 November, 2012. Accessed at: www.gazeta.ru/politics/2012/11/28_a_4871461.shtml

the presence of influential competitors that could exert influence and start such procedures against their enemies; or alternatively, in the absence of a powerful protector that could stop these actions.

The appointment of security services officers into gubernatorial positions – another important recent trend in the Kremlin's cadre policy – is an additional manifestation the importance of anti-corruption campaign as well as the imperative of control underlying Russia's governance system. In July 2016 Putin replaced four regional governors (Kaliningrad, Yaroslavl, Kirov and Sevastopol) and reshuffled various other staff at senior positions in the government. Two of the new governors are from Federal Security Services (FSB) and Federal Protective Services (FSO), including a new governor of Kaliningrad, Evgeny Zinichev, who is a former Putin bodyguard.³⁴

To summarize, Russia's evolving domestic political landscape has affected the standing of regional governors in the system further eroding their links to the regional public and making them more dependent on the federal center. While the Kremlin's support and new institutional rules help the governors to get easily reelected, their overall position has weakened considerably. Russia's economic troubles make it hard for the governors to maintain regional economic and social stability; meanwhile, the anti-corruption campaign initiated from Moscow can be easily directed at specific governors (especially those lacking powerful connections in Moscow).

Putin's Foreign Policy and Regional Response

Besides domestic policy repercussions, regions have also experienced serious reverberations originating from Russia's foreign policy actions. Russia's relations with Ukraine broken irrevocably in the aftermath of Crimea annexation have revealed the interdependence of two countries' military sectors and Russia's dependence on Ukrainian production of motors powering the Russian helicopters and jets, and engines powering Russia's naval ships. In summer 2014 Ukraine's president Poroshenko officially banned military cooperation with Russia. It meant that Russian regions producing helicopters, planes, and ships used in the military and relying on essential components from Ukraine were hit by the ban. The production of AN-148/158 aircrafts in Voronezh,

³⁴ Daria Litvinova, "Putin's Game of Thrones: The Men in Epaulets Take Over," *The Moscow Times*, July 29, 2016. Accessed at: themoscowtimes.com/articles/game-of-thrones-russian-regions-and-districts-get-new-leaders-in-epaulets-54782

equipped by engines made at Ukrainian Motor Sich, and helicopters produced at KVZ in Tatarstan, also relying on Motor Sich engines, are just two relevant examples of such interdependence. In addition, the Ukrainian plant Yuzhmash in Dnipropetrovsk had manufactured rockets and missiles for the Russian army and Zorya-Mashproekt in Nikolaev produced turbine engines for Russian naval ships.³⁵ Dmitry Rogozin, Russia's deputy prime minister, revealed that Ukrainian components were used in the production of 186 types of Russian military equipment.³⁶

Western sanctions banning the export of military and dual-use technologies to Russia have further affected Russia's military industry. The infamous *Uralvagonzavod*, Russia's main tank producer, that in 2012 played a role of Putin's support base, faced bankruptcy unable to repay billions of rubles to its creditor, Alfa bank.³⁷ Given the national-level significance of the military industry for the economy and for regime support, the regions were not left to themselves to solve these problems. In April 2014, the federal government quickly initiated a strategy of import-substitution.³⁸ While import substitution emerged motto of the Russian government over the last two years, a sober analysis of results, whether actual or expected, reveal it to be disappointing. Russia not only depends on Western imports for specific components for its finished products, such as electric equipment or aforementioned engines, it also lacks the machines and the equipment needed to produce them in the first place.³⁹

Russia's reaction to Turkey downing the Russian plane in November 2015 has presented another significant problem for many regions and Russia's economy more generally. In reaction to this incident, the Kremlin initiated harsh economic and diplomatic sanctions that banned Turkish companies and citizens from work in Russia; implemented visa regime at the borders, and restricted imports to and exports from Russia. These measures increased hardship for all Russian consumers as they included agricultural imports such as tomatoes, tangerines and oranges. Turkey has also been a major destination

35 Charles Recknagel, "Complex Ties: Russia's Armed Forces Depend On Ukraine's Military Industry," RFE RL, 14 September 2016. Accessed at: www.rferl.org/content/russia-ukraine-military-equipment/25312911.html; Aleksandr Golts, "Voenno-promyshlennyi gopak," *Kommersant*, 20 July 2014. Accessed at: kommersant.ru/doc/2497675

36 Pavel Aksenov, "Ukraine crisis: Why a lack of parts has hamstrung Russia's military," BBC News, 8 August 2015. Accessed at: www.bbc.co.uk/news/world-europe-33822821

37 "Eksperty: bankrotstvo 'Uralvagonzavoda' nevozmozhno.." *RIA novosti*, 19 May 2016. Accessed at: ria.ru/economy/20160519/1436584491.html

38 Vladimir Voronov, "Importozameshchenie dlia Rogozina," *Inosmi.ru*, 10 January 2016. Accessed at: inosmi.ru/military/20160110/235003214.html

39 Ibid.

for Russian tourists who made use of all-inclusive resorts in Antalya, Kemer, and other places. Still, the patriotic hysteria against Turkey was widespread in Russia; anti-Turkish campaign in the media worked to construct yet another 'public enemy' shifting attention from Ukraine and the United States to a new 'face'.

Some regions were potentially more affected than others by Russia's radical anti-Turkish measures. Tatarstan and Bashkortostan, two Turkic-speaking Muslim republics, have long worked on developing close ties with Turkey based on their ethnic, linguistic and religious proximity. In Tatarstan, Turkey accounts for a quarter of foreign direct investment amounting to \$1.5 bln. Tatarstan has signed separate cooperation agreements with seven provinces of Turkey indicating the intensity of business and cultural links between these entities.⁴⁰ Turkish companies have been among the key residents of Alabuga Special Economic Zone as well as major contributors to construction in Kazan and other places in the republic.⁴¹ For example, the Turkish company ODAK has been involved in the construction of such important projects as the Presidential Palace in the Kremlin, Kul Sharif mosque, the Republican Supreme Court, and several centrally located shopping malls.⁴² In short, the business restrictions imposed from Moscow were potentially harmful to the Republican economy and the relations with a long-term partner. Bashkortostan, another republic with intensive economic links with Turkey (i.e., \$300 million trade turnover and ninety one companies with Turkish investments), also faced a precarious situation in the new circumstances.⁴³ Besides economic damage, the Russian Ministry of Culture also instructed them along with Sakha and Altai republican governments to end any contacts with *Turksoy*, Ankara-based organization uniting Turkic people, thereby striking at the cultural autonomy of Turkic-speaking peoples of Russia.

In this delicate situation, the reaction of the Republican elites is indicative of the constraints they face and the remains of the freedom of action they might still enjoy in the current political environment. Most regional leaders

⁴⁰ Aleksandr Andreev et al., "Tatarstan i Turtsiia: poidut li 20 let biznes-druzhby 'SU' pod khvost?" *Business-gazeta.ru*, 26 November 2015. Accessed at: <http://www.business-gazeta.ru/article/146371/>

⁴¹ Special economic zones (SEZ) in Russia provide tax preferences, special customs regime, reduced administrative barriers, simplified migration rules and other benefits to selected companies and are created by the Russian government as an instrument to attract foreign investments. Alabuga SEZ is one of twenty-eight special economic zones in Russia.

⁴² Aleksandr Andreev et al., 2015.

⁴³ Egor Belov, "Bashkortostan i Turtsiia: chto budet dal'she?" *Rbc.ru*, 30 November 2015. Accessed at: <http://ufa.rbc.ru/ufa/30/11/2015/565c37949a7947d1b346f5d7>

took a 'wait-and-see' approach despite the negative economic consequences expected from the Kremlin's anti-Turkish sanctions. Tatarstan's reaction was arguably most vocal but might not be generalizable to the rest of Russia's regions; it has long been noted to have a special status comparable to the one enjoyed by Chechnya and its president Ramzan Kadyrov. For example, Chechnya and Tatarstan are the only two regions that still have bilateral treaties with Moscow.

Still, this reaction is informative of public and private communication channels available to regional elites in their interaction with the federal center. I don't quite understand this last point...In the tradition of Tatarstan's first president Mintimer Shaimiev, the Republic's current president Rustam Minnikhanov took a pragmatic and relatively bold stance that contradicted the emotionally charged anti-Turkish sentiment spreading across the country. His position was charted very carefully, with references to Putin's own words:

"I can refer to what our president said, that Turkey is a friendly nation.. [...] For Tatars, the Turks are a brotherly people. We belong to the same language group and to the same religion. What the president said is a very serious support for us, because we have large Turkish investment projects. They have believed in our president."⁴⁴

At the same time, pragmatic Minnikhanov openly admitted that foreign policy making is the prerogative of the federal government and noted, "we have to follow the line defined by our leadership."⁴⁵ Besides these public statements, Tatarstan's government, along with the leaders of other affected regions, privately lobbied Moscow to include Turkish companies working in the Republic in the list of companies excluded from sanctions and also to include Republican companies in the list of Russian companies that could still hire Turkish citizens.⁴⁶ Subsequently, the Russian Ministry of Labor worked out such a list

⁴⁴ "Sozhaleiia o Turtsii, Minnikhanov prizval..," *Regnum.ru*, 29 January 2016. Accessed at: regnum.ru/news/polit/2067819.html

⁴⁵ Ibid.

⁴⁶ "Pravitel'stvo utverdilo..," *Vedomosti.ru*, 24 December 2015. Accessed at: www.vedomosti.ru/politics/news/2015/12/24/622444-perechen-rossiiskih-kompanii-grazhdan-turtsii

of fifty-three companies from thirteen regions allowed to hire Turkish citizens.⁴⁷ Nine companies working in Tatarstan were exempted from anti-Turkish sanctions.

Minnikhanov went even further in criticizing Russian government policies, especially the persistent anti-American propaganda campaign. "I am prepared to be friends with everybody who invests in Tatarstan," he said. "Skin color, nationality, religion do not matter! They say that Americans do not like us. They built two factories here in our special economic zone and everything is fine, we work together well".⁴⁸ Such pragmatic statements by the republican leader went against the federal center's intensely ideological and propagandistic policies and statements of the last few years. Arguably, many other regional leaders could have joined Minnikhanov in such position; regional governments have always been in the first line of absorbing the shocks and actual economic and social consequences of the federal policy (whether in the 1990s or in the 2010s). No wonder, regional expert Natalya Zubarevich has suggested recently that, "there is more common sense in the regions than in the White House or the Kremlin as well as more desire to live normally."⁴⁹ However, it is also clear that the governance system constructed in Russia incentivizes regional authorities to fall in line with federal initiatives, at least publicly, rather than oppose them. Meanwhile, the recent rapprochement between Russia and Turkey proved Minnikhanov's pragmatism right. After the Turkish president's apology to Russia for shooting the plane, Russian-Turkish relations have been reinitiated with an August summit in St. Petersburg that signaled an end to belligerency between two nations.

In the end, Putin's recent foreign policy driven, arguably, by domestic concerns for political legitimacy and regime maintenance, has with the help of intense propaganda campaign waged on Russia's major TV channels, propped Putin's own image as a strong leader defending Russia's interests abroad.⁵⁰

⁴⁷ Nikita Anisimov, "Turki ostanutsia v Tatarstane," 25 December 2015. Accessed at: kazan-first.ru/article/111968

⁴⁸ Valery Dzutsati, "Tatarstan's President Defies Kremlin Efforts to Unite Russians against Another Common 'Enemy,'" *Eurasia Daily Monitor* Volume, 13, no. 3.

⁴⁹ Natalya Zubarevich, "Ekonomiku nel'zia ugovorit' televizorom," RBC news, 11 August 2016. Accessed at: ok.ru/video/14682427889

⁵⁰ For a related discussion, see Alexei Arbatov, "Russia's Foreign and Security Policy." Accessed at: carnegie.ru/2016/06/21/russian-foreign-and-security-policy/j28d. Samuel Greene, "Domestic Sources of Foreign Policy in Russia: Why Moscow's Shift to Confrontation with

Russia's population however had to pay a hefty economic price for these policies as Russia's economy plunged into recession undermined by low energy prices as well as economic sanctions from the West and those imposed by Russia against the West and Turkey.⁵¹ Dealing with economic and social consequences of these policies is among the central everyday concerns for regional governors who had to work out various adaptation strategies, as described below.

Russia's Faltering Economy: Response from the Regions

Olga Golodets, Russia's deputy prime minister on social affairs, admitted in the beginning of 2016 that the Russian population is rapidly sliding into poverty.⁵² The number of people below the poverty line according to 2015 statistics has grown at a record rate, by 3.1 million reaching 19.2 million people or over 13% of the entire population. The first signs of this new reality appeared in 2013 underscoring the fact that economic problems in the country are not simply the product of external factors but result from long-term structural impediments to economic development.⁵³ Ordinary Russians quickly cut spending and shifted into survival mode, familiar to many from the 1990s. Yet, as in the 1990s, local grievances are growing and popular protests, mostly motivated by economic concerns, are bubbling up across the country. In the face of declining patriotic euphoria and despite the popularity gains for the Russian leadership, regional administrations have to be creative in addressing the growing economic and social problems in the context of a slumping economy.

While most regions have been negatively affected by the economic crisis, there is a group of regions that shows positive dynamics in their revenues and other economic indicators in the last two years. These, crisis-resilient regions

Washington is Structural" (2016). Accessed at: moscowonthames.files.wordpress.com/2015/08/20130311-sgreene-ponars.pdf

⁵¹ Vladimir Mau, "Between crises and sanctions: economic policy of the Russian Federation," *Post-Soviet Affairs* 32, no.4 (2016): 350-377.

⁵² "Golodets priznala rezkoe obednenie rossiian," *Vedomosti.ru*. 23 March 2016. Accessed at: www.vedomosti.ru/newslines/top/economics/news/2016/03/23/634774-golodets-priznala-obednenie

⁵³ For a more detailed discussion, see Natalia Zubarevich, "Regional Social Expenditures: A Country of Contrasts," (December 23, 2015). Russian Economic Developments, Moscow, 2015, #12, pp. 31-35. Available at SSRN: <http://ssrn.com/abstract=2707703> 2015b.

could be divided into three sub-groups: regions champions in oil and gas production, regions that have benefitted from the government procurement in defense industries, and regions with large agricultural sectors that benefitted from import-substitution in the agriculture.⁵⁴ Among the remainder of the regions expanding budget deficits and growing rates of regional debt reached 2.4 billion rubles by the beginning of 2015 and 2.68 billion by April 2016 demonstrate the depth of economic decline.⁵⁵ These conditions forced regional governments to shift their priorities from growth and development to strategic retrenchment and cutting losses.

The actual types of actions undertaken by regional authorities reflected relative strengths and weaknesses of the regions. Among the strategies employed by regional governments in response to worsening economic conditions are (1) regional lobbying of the federal center for more resources, (2) privatizing regional assets, (3) borrowing from commercial and state-controlled banks, and (4) cutting expenditures and optimizing the budget sector. As I discuss below, the first three strategies are not universally available to all regions as they depend on region's existing economic assets, political connections in Moscow or financial situation. Furthermore, while the prevalence of the last strategy – cutting expenditures – has been limited in the lead up to 2018 presidential elections, it is likely to increase after the election cycle. These cuts are likely to place additional strain on governors' relations with the regional population.

Lobbying

Lobbying has always been important in federal-regional relations, whether in relation to financial issues, cadre policy or any decisions of importance for regional authorities that depend on the federal government. Normally, regional governors are key players in this process and, it has been long observed that they differ tremendously in their lobbying capacities. In the past few years the most consistent top three lobbyists among regional leaders are Sergei Sobyannin (Moscow mayor), Rustem Minnikhanov (President of Tatarstan), and Ramzan Kadyrov (Head of Chechnya). All three have secured regional control over critical assets that alleviate pressures due to the economic crisis.

Chechnya had long benefitted from massive financial inflows from the federal center but has recently seen a drastic reduction in federal financial help

⁵⁴ Tatiana Zamakhina, "Samye ustoichivye," *Rossiiskaia gazeta*, 29 February 2016. Accessed at: rg.ru/2016/02/29/nazvany-naibolee-ustojchivye-k-krizisu-regiony-rossii.html

⁵⁵ Aleksandra Prokopenko, "Regiony mogut poluchit' dostup k kreditam s plavaiushchei protsentnoj stavkoi," *Vedomosti* July 15, 2016.

as the program for socio-economic development of Chechnya ended in 2012. Kadyrov's success in establishing regional control over the oil industry on the Chechen territory in 2016 is the most recent example of successful lobbying at the very top levels of the Russian government. Until 2016 Chechen oil was produced exclusively by Rosneft through its subsidiary Grozneftekhim. Another state-owned company, Chechenneftekhimprom, also managed by Rosneft, owns all land rights for oil producing territories in Chechnya and controls additional infrastructure related to oil production and oil-refining. In December 2015 Putin signed an order initiating the transfer to Chechnya of all assets associated with Chechenneftekhimprom, a process that was completed in March 2016.

Kadyrov argued that Rosneft underutilized Chechenneftekhimprom assets. Since the amount of oil produced in the republic has been dwindling due to field depletion, Kadyrov long advocated that Rosneft and the Russian government build an oil refinery in Chechnya. Although these efforts culminated in a promise to build one, the project has never been realized. Recently the Chechen government announced plans to use the land controlled by Chechenneftekhimprom to build a factory manufacturing lithium-ion batteries.⁵⁶ This regional success is quite unprecedented given the earlier pattern of property relations between the center and the regions under Putin and is reflective of Kremlin's dependence on Kadyrov personally. His role in stabilizing and rebuilding war-torn Chechnya has made him into a leader hard to replace, lest new instability ensues in the region. His public support and loyalty for Putin are no doubt also appreciated.

Reflecting the depth of Russia's economic crisis, federal budget cuts have even touched planned international mega-events such as the 2018 world football championship. From the extraordinary spending on Winter Olympics in Sochi, we know that the Russian government does take these sports events very seriously. Yet the planned federal spending related to the World Cup has been slashed by 44 billion rubles,⁵⁷ which means that many regions that planned for additional investments into infrastructure will not receive the funds. This also means that regional authorities have to use their lobbying potential to defend *their* regional infrastructural investments. Some regions such as Nizhegorodskaya oblast were able to keep federal transfers on building the

⁵⁶ Liz Fuller, "Chechnya to Acquire Federal Oil Industry Assets On Its Territory," RFE RL, 6 January 2016. Accessed at: www.rferl.org/content/caucasus-report-chechnya-oil-refinery/27472661.html

⁵⁷ The 2018 World Cup games will be held in eleven Russian cities including regional capitals such as Samara, Kazan, Saransk, Volgograd, Kaliningrad, Nizhny Novgorod, Yekaterinburg, and Rostov-na-Donu. <http://россия2018.рф>

subway system. In the context of preparing for the world cup Nizhnii Novgorod is planning to receive around 2 billion rubles from the federal center to finance additional metro stations in the city. Other regions had to postpone such plans, such as Sverdlovskaya oblast, where the plans for federal support in building additional subway lines in connection with the world cup were scrapped. The differing lobbying capacities of the regional governors of these regions are cited as one of plausible reasons for such divergences.

Selling Off Assets

Selling off regionally controlled assets is another strategy that regions can undertake confronting financial and economic pressures. Of course, this strategy is available only to those regional governments that control sizable assets. The government of the Republic of Tatarstan, for example, is a case in point. Recently, in parallel with the Russian government's plans of massive privatization, Tatarstan's government has announced the privatization of government-held shares in Nizhnekamskneftekhim (24.99%), Taneco (9%) and Tatneft. On March 17th 2016, Tatneft purchased Taneco and Nizhnekamskneftekhim shares from the government, becoming an exclusive owner of Taneco oil refinery and almost of a quarter-owner of Nizhnekamsk based petrochemical complex. It is still not clear how the Republican government, will use the 49.7 billion rubles received from the sale, although the declared purpose was a more effective use of capital. Tatarstan does have massive debts but they are mostly long term budget credits financed at very low interest rates. So, it is unlikely that these funds would be used to fill the Republican budget holes. Repaying this debt is not the Republican government's utmost priority right now. Two competing explanations are linked to either financing a megaproject (for example, the announced plans to build Kama oil cluster); or preparing for the securitization of assets abroad in the face of worsening economic environment.⁵⁸ Khanty-Mansi autonomous oblast and Belgorod oblast are two other examples of regions planning to privatize some of their region-controlled assets. In the first case, the government wants to privatize an energy company and a road-building company. In the second case, the government wants to sell some of its assets in the agricultural industry (two dairy companies).⁵⁹

Regions that cannot rely on vast economic assets but still have to deal with

58 Aleksei Brusnytsin et al., "Korolevskaya svad'ba.." Business-gazeta.ru, 21 March 2016. Accessed at: www.business-gazeta.ru/article/305345/

59 Nikolai Protsenko, "Privatizatsiya ne pomozhet zakryt' dyry v biudzhete," 24 February 2016. Accessed at: www.imperiyanews.ru/details/a0592122-b36e-4f18-885a-e7f89b853cc6

budget deficits and high levels of indebtedness have to use other ways to improve their budget balances: smaller-scale privatization schemes, private financial institutions for raising more funds and various 'belt-tightening' techniques. Thus, in effort to balance its budget Lipetsk authorities undertook an inventory of all the buildings and physical assets not used for public goods provision and plan them for privatization. The authorities also plan to raise individual income and individual property tax rates as well as excises on oil products.

Borrowing

To finance their expenditures that have increased in response to May 2012 presidential decrees, regions had to rely on borrowing from commercial banks. Between 2013-2015 the volume of bank credits taken by regional governments has grown by 40 percent. In 2014, the federal government responded to these financial problems by doubling the amount of budget loans extended to the regions. It maintained the same level of financial support in 2015. Budget loans are given on much more favorable conditions of 0.1 percent annual interest rate for three years and the criteria for receiving these loans have been simplified in 2015 allowing the regions to restructure their debt to the banks. Consequently, in 2015 the rate of growth of regional commercial credits has diminished considerably. Still, regions with very high levels of commercial debt do not always have access to this source of financing. In 2016 for example the government planned to distribute 310 billion rubles in budget loans, while the regions' outstanding payments owed to commercial banks amount to 500 billion rubles.⁶⁰ Therefore, regions continue to borrow from commercial banks to pay their debts and fund their deficit spending. Thus, Amur oblast has debt of 30 billion rubles and its 2016 budget is short by an additional 844 million rubles. It is expected to pay back 18.5 billion rubles of its debt but to enable that payment as well as to finance its deficit the regional government plans to borrow additional 18.9 billion rubles from commercial banks.⁶¹ Recent report by ACRA consultants specifically noted six regions with the level of indebtedness over 70 percent of regional revenues including Ivanovskaia, Kostromskaia, and Omskaia oblasts and the Republics of Khakasia, Mordovia and Mari-El.⁶²

In short, regional borrowing from the federal center and the commercial

⁶⁰ Prokopenko 2016.

⁶¹ "Biudzheth Priamur'ia -2016," *Regnum.ru*, 25 October 2015. Accessed at: regnum.ru/news/economy/1998295.html

⁶² "Regiony. Biudzhety," *ACRA*, 23 March 2016. Accessed at: http://www.acra-ratings.ru/storage/comment/13/20160323_RSSEA.pdf

banks has been rising in the last few years reflecting the financial strain resulting from the combination of Russia's economic problems and the increased financial burden on the regions associated with Putin's 2012 decrees. Although the federal center has shown the awareness of these issues, no long-term solution has been found reflecting Russia's broader, institutional and political problems. Therefore, this short-term strategy of borrowing and preventing regional defaults on one-to-one basis are likely to continue in the short to medium-term future creating long-term fiscal problems.

Cutting

Cutting expenditures appears as an inevitable strategy in such circumstances but the political imperatives associated with 2016 parliamentary elections and 2018 presidential elections mean that regional authorities have to be extremely cautious as what expenditures are cut. Given that in some regions around 70% of regional spending is social in nature, the margins for expenditure cuts are extremely limited which explains continuing borrowing and growing regional indebtedness. Still, analysts have noted that starting in 2014 some regions decreased their spending on education, culture and healthcare. Utilities is another sector that has suffered from a gradual diminishing of spending on utilities (from about 16% of all regional expenditures in 2008, to 11% in 2011 and 7.5 % in 2015).⁶³

'Optimization' of the bureaucratic apparatus is another 'code' word promoted by the Kremlin in relation to a more effective use of available resources. During 2013-2014 optimization was centered mostly on the education and healthcare spheres. Recently, it affected the state officials as well as the Ministry of Internal Affairs and the Ministry of Emergency Situations embarked on cutting their apparatuses. Going along with these trends several regions decided to cut regional bureaucracy or their salary levels, including for example the Republic of Mordovia that aims to get rid of 10% of its regional bureaucratic apparatus in 2016 and Primorski krai that undertook a 10% salary cut for regional bureaucrats and discontinues some of the positions in the regional bureaucracy.

Finally, one of the key items not discussed above is concerned with the measures the regional governments can undertake to stimulate the local revenue basis. This is of course the preferred strategy from the point of view of

⁶³ "Regiony. Biudzhety," ACRA, 2 March 2016. Accessed at: http://www.acra-ratings.ru/storage/comment/6/20150302_RSSAP.pdf

the federal center. In relation to that, the federal government advanced additional support for small and medium size businesses, an initiative quickly integrated into regional agendas as well. One measure of such support initiated by the Russian government was to allow domestic small and medium sized businesses access government procurement. From 2015 state-owned companies were mandated to allocate quotas to buy goods and services from small and medium size enterprises. In March 2016 these quotas were increased from 10% to 15%. The impact of these administrative measures is not very promising. Without serious improvements in business environment, strengthening the rule of law and property rights, easing the regulatory framework and removing the red tape it is unlikely that the small and medium size businesses would become the backbone of the Russian economy. Instead, the resources from government procurement could be channeled to well-connected firms and companies that are interested in maintaining high barriers to entry.

Conclusion

Driven by forces out of their control, Russia's governors in the last few years have found themselves in the tricky spot between Scylla and Charybdis. Though most of them go through regional elections that demonstrate overwhelming support (if carefully manufactured with the use of administrative resources) from voters, their fate depends primarily on the federal center. They have to deliver social stability and proper voting results expected by the Kremlin but the financial support they relied upon in the 2000s is not there anymore. They have to keep up regional economies and employment but have an added request of promoting patriotism and traditional values. They have been instructed to fight corruption in their regions but could easily fall victim to corruption charges themselves.

The increased vulnerability of gubernatorial positions in Russia resulting from the combination of factors described above has been reflected in unprecedented arrests of sitting governors, charged with corruption and criminal activities. The most recent cases of cadre reshuffle undertaken in Yaroslavl, Kirov, Kaliningrad and Sevastopol and appointment of security service officers in these positions also confirms this trend, sending a strong signal to regional governors to tow the Kremlin line. Given how well the governors have been integrated into the vertical of power, however, these vulnerabilities might be exposing the more general weaknesses of Russia's political system that has stood on the path of legitimizing the power system through identity politics

rather than a genuine search for social and economic progress and development.

Ultimately, the short-term solutions to Russia's outstanding problems seem to create new problems evidenced most clearly by the economic effects of Putin's foreign policy. At the regional level elites are faced with difficult policy dilemmas as well. Commercial borrowing to address regional shortages leads to their further indebtedness and undercuts their future developmental potential; but cutting expenditures carries the risk of political and social destabilization in the region. Fighting corruption – both nationally and regionally – is imperative to cut the waste in the system but it also endangers the stability of the elites and regional political machines that are responsible for delivering voting results. Promoting patriotism and traditional values distracts attention for a while, but is not a good recipe for dealing with the rising tides of discontent driven by economic and social degradation and mismanagement. Navigating from one storm into another and a high attrition rate for the governors is the only predictable future scenario in such circumstances unless major structural changes are underway.

Appendix

TABLE 1 *Gubernatorial Elections, 2012-2015* [AQ: The table will fine-tuned and better positioned]

Year	Region	Winner	Party	Winner Vote	Second-best candidate Vote	Turnout
2012	Amurskaya oblast	Kozhemyako	UR	77.28	9.99	36.79
	Belgorodskaya oblast	Savchenko	UR	77.64	12.43	59.47
	Brianskaya oblast	Denin **	UR	65.22	30.83	46.94
	Novgorodskaya oblast	Mitin	UR	75.95	10.63	42.8
	Ryazan oblast	Kovalev	UR	64.43	21.92	43.51
2013	Khakassia republic	Zimin	UR	63.41	9.94	37.84
	Zabaikal krai	Ilkovskii	JR	71.63	11.74	35.47
	Khabarovsk krai	Shport	UR	63.92	19.14	33.89
	Vladimirskaya oblast	Orlova	UR	74.73	10.64	28.51
	Magadan oblast	Pechenii	UR	73.11	14.84	32.28
	Moscow oblast	Vorobiov	UR	78.94	7.72	38.58
	Moscow city	Sobianin	UR	51.37	27.24	32.03

	Chukotskii okrug		Kopin	UR	64.44	9.8	64.44
2014	Stavropol krai		Vladimirov	UR	84.22	6.1	47.88
	Ivanovo oblast		Kon'kov	UR	80.32	7.83	36.6
	Komi republic		Gaizer**	UR	78.97	6.85	58.95
	Kirov oblast		Belyh**	UR	69.98	15.99	36.25
	Chelyabinsk oblast		Dubrovskii	UR	86.37	5.25	42.51
	Altai republic		Berdnikov	UR	50.63	36.44	60.14
	Kurgan oblast		Kokorin	UR	84.87	8.07	39.77
	Udmurtia republic		Soloviov	UR	84.84	7.65	43.09
	Neneckii okrug		Koshin	UR	76.7	7.67	44.3
	Oriol oblast		Potomskii	KPRF	89.17	3.74	62.65
	Pskov oblast		Turchak	UR	78.36	11.22	37.9
	Voronezh oblast		Gordeev	UR	88.75	7.69	56.21
	Novosibirsk oblast		Gorodetskii	UR	64.97	18.86	29.83
	Volgogradskaiia oblast		Bocharov	UR	88.49	4.45	38.72
	Sakha - iakutia republic		Borisov	UR	58.79	29.49	55.39
	Murmanskaia oblast		Kovtun	UR	64.69	11.29	31.02
	Kalmikia republic		Orlov	UR	82.89	8.26	61.43
	Krasnoiarsk krai		Tolokonskii	UR	63.3	14.01	31.26
	Lipetsk oblast		Koroliov	UR	81.83	7.46	46.79
	Kursk oblast		Mikhailov	UR	66.81	11.73	38.97
	Tyumen oblast		Iakushev	UR	86.56	6.21	58.34
	Orenburg oblast		Berg	UR	80.28	7.37	44.12
	Vologda oblast		Kuvshinnikov	UR	64.69	18.04	29.72
	Bashkortostan republic		Khamitov	UR	81.71	10.13	74.88
	Nizhegorodskaiia oblast		Shantsev	UR	86.93	5.65	54.49
	Primorskii krai		Miklushevskii	UR	77.43	12.67	39.65
	Samara oblast		Merkushkin	UR	91.35	3.95	56.9
	Sankt-peterburg city		Poltavchenko	UR	79.3	9.37	39.13
	Altaiskii krai		Karlin	UR	72.97	11.22	34.38
	Astrakhan oblast		Zhilkin	UR	75.28	16.22	36.95
2015	Briansk oblast		Bogomaz	UR	79.96	9.61	57.43
	Mari el republic		Markelov	UR	56.86	32.31	47.09
	Evreiskaia oblast		Levinthal	UR	75.42	14.37	31.87
	Tatarstan republic		Minninkhanov	UR	94.4	2.56	84.21

	Sakhalin oblast		Kozhemyako	UR	67.8	20.27	37.59
	Amur oblast		Kozlov	UR	50.64	28.3	33.54
	Kemerovo oblast		Tuleev	UR	93.54	1.78	92.13
	Krasnodar krai		Kondratiev	UR	83.64	7.88	42
	Leningrad oblast		Drozdenko	UR	82.1	6.98	44.52
	Kamchatkii krai		Ilyukhin	UR	75.48	8.14	31.88
	Irkutskaiia oblast		Levchenko*	KPRF	56.39	41.46	37.2
	Omsk oblast		Nazarov	UR	60.02	28.5	33.78
	Kostroma oblast		Sitnikov	UR	65.62	21.43	35.79
	Smolensk oblast		Ostrovskii	LDPR	65.18	12.42	28.77
	Arkhangelskaia oblast		Orlov	UR	53.25	19.22	20.99
	Penza oblast		Belozertsev	UR	86.04	7.75	62.66
	Rostov oblast		Golubev	UR	78.21	11.67	48.51
	Tambov oblast		Nikitin	UR	85.47	6.2	57.8
	Kaluga oblast		Artamonov	UR	66.86	12.16	36.28
	Chuvashskaia oblast		Ignatiev	UR	65.54	14.73	58.65
	Kaliningrad oblast		Tsukanov	UR	70.41	10.22	39.59

Notes. * - non-incumbent candidate; ** - governor fired and criminal proceedings initiated.